



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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April 2, 1998

Dennis Wanlass  
Geneva Steel  
10 South Geneva Road  
Vineyard, Utah 84058

Re: Replacement Reclamation Surety Bonds, Kiegley Quarry M/049/001, Utah County and Iron Mountain, M/021/008, Iron County, Utah

Dear Mr. Wanlass:

On March 19 and 23, 1998, we were contacted by Reliance Surety Company that they were going to issue replacement reclamation surety bonds for your Kiegley Quarry and Iron Mountain Mine sites which are currently bonded with St. Paul Fire and Marine. We have tried several times to contact someone at Geneva to verify that this is indeed the case and also to inform you of what the new bonding amounts would need to be. We have since been advised by Mr. Earl Brown of J & H Marsh and McLennan Insurance Brokers that Geneva is aware of this.

We have been directed by the Board of Oil, Gas and Mining that whenever a surety is changed, the amount needs to be updated to current dollars and escalated five years into the future. Due to time constraints and the Division's workload at this time, we will not have the opportunity to perform a full inspection to reevaluate the status of the mining projects. Therefore, we have updated the bond amounts for escalation purposes only to the year 2003.

Copies of the updated surety estimates are enclosed for your reference. Also a new Reclamation Contract agreement (Form MR-RC) must accompany the surety bonds. We have enclosed two blank forms for this purpose along with a copy of the existing Reclamation Contracts for both operations to be used as a guide.

Thank you for your help in finalizing these changes to the sureties. If you have any questions regarding this letter, please notify me at (801) 538-5286 or Joelle Burns at (801) 538-5291.

Sincerely,

D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb

Enclosures: Updated surety estimates; Blank MR-RC, copies of existing MR-RC's

cc: Earl Brown, J&H Marsh & McLennan  
Geneva.sur

## SURETY ESTIMATE UPDATE

Geneva Steel

Kiegley Quarry

M/049/001

Utah County

Prepared by Utah Division of Oil, Gas & Mining

Last Update

03/20/98

### DESCRIPTION:

- Previous reclamation surety estimate was \$505,000 in year 1994 dollars
- Reclamation Estimate base amount calculated in 1988-\$ as \$448,600
- The 1988 base amount is adjusted to 1998\$ then escalated five years
- This update adjusts the surety amount for escalation only!
- There are no changes to the mining and reclamation plan at this time
- Escalation factors through 1997 are actual Means Historical Cost Indices
- Total estimated disturbed area = 400 ACRES

### CALCULATIONS

$$F = P(1 + I^{**}n)$$

YR	ESCAL FACTOR	BOND AMOUNT
1987	0.0195	\$0
1988	0.0181	\$448,600
1989	0.0177	\$456,540
1990	0.0077	\$460,056
1991	0.0127	\$465,898
1992	0.0221	\$476,195
1993	0.0261	\$488,623
1994	0.0321	\$504,308
1995	0.0193	\$514,041
1996	0.0242	\$526,481
1997	0.0236	\$538,906
<b>1998</b>	0.0224	\$550,978
1999	0.0224	\$563,319
2000	0.0224	\$575,938
2001	0.0224	\$588,839
2002	0.0224	\$602,029
2003	0.0224	\$615,514

F = Future Sum

P = Present Sum

I = Escalation Factor

n = number of periods

Three Yr Average = 2.24%

Used to Project 5 Yrs

From the Year 1998

Updated Surety Amount Rounded (2003-\$)

\$615,500

\*\* Average cost per acre = \$1,539 (\$/ACRE)